Auditing Procedur Issued under P.A. 2 of 1968, as amended.	res Report							
Local Government Type  ☐ City ☐ Township ✓ Village ☐ Other  ☐ Local Government Name  VILLAGE OF REESE  County  TUSCOLA								
Audit Date   Opinion Date   Date Accountant Report Submitted to State: 7/15/05   7/15/05								
We have audited the financial state accordance with the Statements of Financial Statements for Counties at	of the Governmental Accou	inting Standards Board (	GASB) and th	e Uniform	Reporting Format for			
We affirm that:								
1. We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised.								
2. We are certified public account	tants registered to practice in	Michigan.						
We further affirm the following. "Yes comments and recommendations	s" responses have been disc	losed in the financial state	ements, includir	ng the notes,	or in the report of			
You must check the applicable box	for each item below.							
Yes No 1. Certain con	emponent units/funds/agencie	es of the local unit are excl	uded from the	financial sta	tements.			
Yes	accumulated deficits in one 30).	or more of this unit's un	reserved fund	balances/ret	ained earnings (P.A.			
Yes No 3. There are amended).	instances of non-compliand	ce with the Uniform Acco	ounting and Bu	dgeting Act	(P.A. 2 of 1968, as			
	unit has violated the condi			he Municipa	al Finance Act or its			
	unit holds deposits/investme ed [MCL 129.91], or P.A. 55 o			requiremen	ts. (P.A. 20 of 1943,			
Yes No 6. The local u	unit has been delinquent in di	istributing tax revenues that	at were collecte	ed for anothe	er taxing unit.			
Yes No 7. pension be	unit has violated the Consti enefits (normal costs) in the e more than the normal cost r	current year. If the plan	is more than 1	00% funded	and the overfunding			
Yes No 8. The local (MCL 129.	unit uses credit cards and .241).	has not adopted an appl	licable policy a	s required l	ру Р.А. 266 of 1995			
Yes No 9. The local u	unit has not adopted an inves	stment policy as required b	y P.A. 196 of 1	997 (MCL 1	29.95).			
We have enclosed the following:	:		Enclosed	To Be Forward				
The letter of comments and recomments	nmendations.		✓					
Reports on individual federal finance	cial assistance programs (pro	ogram audits).			✓			
Single Audit Reports (ASLGU).								
Certified Public Accountant (Firm Name) BERTHIAUME & COMPANY CPAS								
Street Address 60 HARROW LANE		State   ZIP     48638						
Accountant Signature	. Bething	SAGINAW		Date 7-/	5-05			

# VILLAGE OF REESE

Tuscola County, Michigan

# FINANCIAL STATEMENTS

March 31, 2005

# **VILLAGE OF REESE**

# TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	3 4
Fund Financial Statements:  Governmental Funds:	
Balance Sheet	5
Governmental Activities	6 7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Proprietary Funds:	Ü
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Net Assets.  Statement of Cash Flows.	10 11
Fiduciary Funds:	10
Statement of Net Assets	12 13
Notes to Financial Statements	15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	31
Budgetary Comparison Schedule – Special Revenue Fund – Major Street Fund	32 33
Other Supplemental Information:	
General Fund:	
Detailed Schedule of Revenues  Detailed Schedule of Expenditures	35 36
Nonmajor Governmental Funds:	
Combining Balance Sheet	40 41
Governmental Activities: Schedules of Indebtedness	42
Management Letter	44



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

#### INDEPENDENT AUDITORS' REPORT

To the Village Council Village of Reese, Michigan

Certified Public Accountants

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reese, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reese, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Reese's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 11, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of April 1, 2004.

May 24, 2005

Berthiaume & Co.



# STATEMENT OF NET ASSETS

March 31, 2005

	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 738,729	\$ 161,225	\$ 899,954	
Receivables	91,046	12,510	103,556	
Internal balances	1,507	(1,507)	-	
Capital assets:				
Nondepreciable capital assets	239,724	-	239,724	
Depreciable capital assets, net	1,105,666	639,994	1,745,660	
Total assets	2,176,672	2,176,672 812,222		
Liabilities:				
Accounts payable and accrued expenses	8,837	-	8,837	
Long-term liabilities:				
Due within one year	31,892	-	31,892	
Due in more than one year	165,054		165,054	
Total liabilities	205,783		205,783	
Net assets:				
Invested in capital assets, net of related debt	1,168,709	639,994	1,808,703	
Restricted for:				
Streets	298,858	-	298,858	
Unrestricted	503,322	172,228	675,550	
Total net assets	\$ 1,970,889	\$ 812,222	\$ 2,783,111	

# STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

			Program Revenues					
	E	xpenses	Charges for Services		Operating Grants and Contributions			t (Expense) Revenue
Functions/Programs PRIMARY GOVERNMENT: Governmental activities:								
General government Public safety	\$	149,075 212,970	\$	2,987 37,706	\$	- 1,964	\$	(146,088) (173,300)
Public works		262,069 2,041		129,150		150,228		17,309 (2,041)
Community and economic development Recreation and culture		27,274		-		13,600		(13,674)
Interest on long-term debt  Total governmental activities	_	10,609		169,843		165,792		(10,609) (328,403)
-		004,030		107,043		103,772		(320,403)
Business-type activities: Sewer	_	103,988		164,326				60,338
Total business-type activities		103,988		164,326				60,338
Total primary government	\$	768,026	\$	334,169	\$	165,792	\$	(268,065)

continued

	Governmental Activities	Business- type Activities	Total		
Changes in net assets:					
Net (Expense) Revenue	\$ (328,403)	\$ 60,338	\$ (268,065)		
General revenues:					
Taxes:					
Property taxes, levied for general purpose	247,080	-	247,080		
Property taxes, levied for fire protection	22,253	-	22,253		
Property taxes, levied for sidewalks	23,049	-	23,049		
Grants and contributions not restricted to					
specific programs	143,625	-	143,625		
Unrestricted investment earnings	7,606	1,110	8,716		
Miscellaneous	6,913	-	6,913		
Special item - Gain on sale of capital asset	2,602		2,602		
Total general revenues and special items	453,128	1,110	454,238		
Change in net assets	124,725	61,448	186,173		
Net assets, beginning of year	1,846,164	750,774	2,596,938		
Net assets, end of year	\$ 1,970,889	\$ 812,222	\$ 2,783,111		

#### GOVERNMENTAL FUNDS

# **BALANCE SHEET**

March 31, 2005

	 General Fund		Major Street Fund		Local Street Fund		onmajor vernmental Funds	Go	Total vernmental Funds
Assets:									
Cash and cash equivalents	\$ 432,365	\$	164,718	\$	92,337	\$	49,309	\$	738,729
Taxes receivable	3,689		-		-		730		4,419
Accounts receivable	14,954		-		-		-		14,954
Special assessments receivable	928		-		=		-		928
Due from other governmental units Due from other funds	 18,547 12,031		36,456 2,531		15,742 4,000		<u>-</u>		70,745 18,562
Total assets	\$ 482,514	\$	203,705	\$	112,079	\$	50,039	\$	848,337
Liabilities and Fund Balances:									
Liabilities:									
Accounts payable									
and accrued expenses	\$ 4,219	\$	30	\$	21	\$	908	\$	5,178
Due to other governmental units	310		-		-		-		310
Due to other funds	-		13,116		3,759		180		17,055
Deposits payable	 	_		_		_	75		75
Total liabilities	 4,529		13,146	_	3,780		1,163	_	22,618
Fund balances:									
Unreserved:									
General fund	477,985		-		-		-		477,985
Special revenue funds	 		190,559		108,299		48,876		347,734
Total fund balances	 477,985		190,559	_	108,299		48,876		825,719
Total liabilities and fund balances	\$ 482,514	\$	203,705	\$	112,079	\$	50,039	\$	848,337

Net assets of governmental activities

# RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2005

Total fund balances for governmental funds		\$	825,719
Total net assets reported for governmental activities in the statement of of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets	2,106,270		
Less accumulated depreciation	(760,880)	1	,345,390
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.			(3,274)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
Bond payable	(135,000)		
Notes payable	(51,681)		
Capital lease payable	(10,265)		(196,946)

\$ 1,970,889

#### GOVERNMENTAL FUNDS

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2005

	General Fund		Major Street Fund		Local Street Fund	Gove	onmajor ernmental Funds	Go	Total vernmental Funds
Revenues:									
Taxes	\$ 247,08	) 5	\$ -	\$	-	\$	45,302	\$	292,382
State grants	145,18	4	87,568		29,946		-		262,698
Contributions from other units	-		21,845		10,869		34,600		67,314
Charges from services	128,77		-		-		13,800		142,570
Fines and forfeits	84		-		-		-		847
Interest and rents	52,08		1,854		804		490		55,237
Other revenue	29,65	<u>)</u> _	79				2,291		32,020
Total revenues	603,62	)	111,346	_	41,619		96,483	_	853,068
Expenditures:									
Current:	12622								106 001
General government	136,32		-		-		-		136,321
Public safety	119,22		-		-		45,106		164,330
Public works	206,83		37,843		31,089		20,998		296,768
Community and economic development	2,04		-		-		-		2,041
Recreation and culture	11,91		-		-		27,615		39,529
Other	3,56		-		- 15 471		-		3,567
Capital outlay	34,71	8	26,348		15,471		4,325		80,862
Debt service	10.26						1 < 07.5		24 641
Principal	18,36		-		-		16,275		34,641
Interest and charges	7,97	<del>)</del> -		_			2,786		10,765
Total expenditures	540,96	<u>8</u> _	64,191	_	46,560		117,105		768,824
Excess (deficiency) of									
revenues over expenditures	62,65	<u>2</u> -	47,155	_	(4,941)		(20,622)	_	84,244
Other financing sources (uses):									
Transfers in	2		-		32,000		42,237		74,258
Transfers out	(27,24	<u>5</u> ) _	(34,611)		(381)		(12,021)		(74,258)
Total other financing sources (uses)	(27,22	<u>4</u> )	(34,611)		31,619		30,216		-
Net change in fund balances	35,42	3	12,544		26,678		9,594		84,244
Fund balances, beginning of year, as restated	442,55	7	178,015	_	81,621		39,282		741,475
Fund balances, end of year	\$ 477,98	5 5	\$ 190,559	\$	108,299	\$	48,876	\$	825,719

The accompanying notes are an integral part of these financial statements.

# RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2005

Net change in fund balances - total governmental funds		\$ 84,244
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	100,524	
Less depreciation expense	(74,575)	25,949
Repayments of principal on bonds and notes is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets.		34,641
Proceeds from notes are revenues in governmental funds, but the proceeds increases long-term liabilities in the statement of net assets.		(20,265)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest on bonds and notes		156
Change in net assets of governmental activities	;	\$ 124,725

#### PROPRIETARY FUNDS

# STATEMENT OF NET ASSETS

March 31, 2005

	Major Enterprise Fund
	Sewer
	Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 161,225
Accounts receivable Due from other funds	12,510
Due from other lunds	158
Total current assets	173,893
Noncurrent assets:	
Capital assets:	
Depreciable capital assets, net	639,994
Total noncurrent assets	639,994
Total assets	813,887
Liabilities:	
Current liabilities:	
Due to other funds	1,665
Total current liabilities	1,665
Total liabilities	1,665
2 0 m 1 m 0 m 1 m 2 m	
Net assets:	
Invested in capital assets, net of related debt	639,994
Unrestricted	172,228
m . t	
Total net assets	<u>\$ 812,222</u>

#### PROPRIETARY FUNDS

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2005

	Major Enterprise Fund
	Sewer
	Fund
Operating revenues:	
Charges for services	\$ 103,642
Equipment rental	7,835
Total operating revenues	111,477
Operating expenses:	
Personnel	19,757
Fringe benefits	8,399
Supplies	7,559
Contracted services	10,317
Administrative expense	7,800
Printing and publishing	28
Insurance	8,584
Utilities	2,523
Repair and maintenance	1,879
Equipment rental	6,910
Other services and supplies Depreciation	1,889 28,343
Depreciation	
Total operating expenses	103,988
Operating income (loss)	7,489
Non-operating revenues (expenses):	
Interest income	1,110
Connection fees	52,849
Total non-operating revenues (expenses)	53,959
Net income (loss)	61,448
Net assets, beginning of year	750,774
Net assets, end of year	\$ 812,222

The accompanying notes are an integral part of these financial statements.

#### PROPRIETARY FUNDS

# STATEMENT OF CASH FLOWS

Year Ended March 31, 2005

	Major Enterprise Fund
	Sewer
	<b>Fund</b>
Cash flows from operating activities:	
Cash received from customers	\$ 106,427
Cash received for interfund services	12,682
Cash payments to employees	(19,757)
Cash payments to suppliers for goods and services	(57,243)
Net cash provided (used) by operating activities	42,109
Cash flows from capital and related financing activities:	
Connection fees Acquisition and construction of capital assets	52,849 (44,185)
Acquisition and construction of capital assets	(44,163)
Net cash provided (used) by capital and related	
financing activities	8,664
Cash flows from investing activities	
Interest received	1,110
Net cash provided (used) by investing activities	1,110
Net increase (decrease) in cash and cash equivalents	51,883
Cash and cash equivalents, beginning of year	109,342
Cash and cash equivalents, end of year	<u>\$ 161,225</u>
Reconciliation of operating income (loss) to net cash	
provided (used) by operating activities:	
Operating income (loss)	\$ 7,489
Adjustments	
Depreciation	28,343
Change in assets and liabilities:	
Accounts receivable	2,785
Due from other funds	5,135
Accounts payable and accrued expenses	(1,355)
Due to other funds	(288)
Net cash provided (used) by operating activities	\$ 42,109

The accompanying notes are an integral part of these financial statements.

#### FIDUCIARY FUNDS

# STATEMENT OF NET ASSETS

March 31, 2005

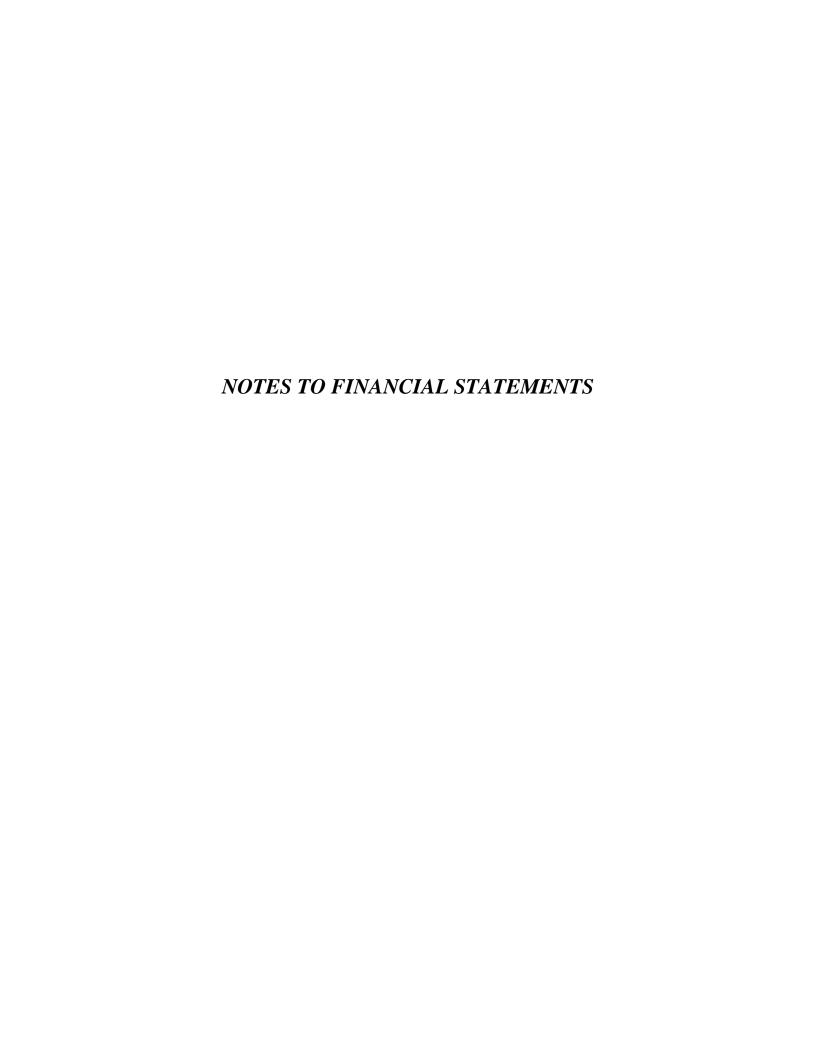
	Pension Trust Fund
Assets: Cash and cash equivalents	\$ 160,371
Total assets	160,371
Net Assets: Held in trust for employee pension	<u>\$ 160,371</u>

#### FIDUCIARY FUNDS

# STATEMENT OF CHANGES IN NET ASSETS

Year Ended March 31, 2005

	Pension Trust <u>Fund</u>
Additions:	
Employer contributions	\$ 16,143
Investment income (loss)	(132)
Total additions	16,011
Net increase (decrease)	16,011
Net assets, beginning of year	144,360
Net assets, end of year	\$ 160,371



#### NOTES TO FINANCIAL STATEMENTS

March 31, 2005

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Reese is a general law village. The Village operates on a Council-Manager form of government and provides services to approximately 1,500 citizens.

The accounting policies of the Village of Reese conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units required to be included in the Village's reporting entity.

#### **Joint Ventures:**

**Blumfield-Reese Water Authority** - The Village of Reese and Blumfield Township jointly established the Blumfield-Reese Water Authority in 1968. The Authority was organized in order to construct, operate and maintain certain water storage, transmission and distribution facilities and to provide the two municipalities with water it purchases from the City of Saginaw. The Village and the Township have provided financial backing for various debt obligations of the Authority. Separate financial statements can be obtained by contacting the Blumfield-Reese Water Authority, 12810 East Washington, Reese, Michigan 48757.

**Fire Agreement** – In March 2000, the Village and Blumfield Township entered into an operating agreement for the purpose of establishing a fire protection system. The expenses related to this agreement are to be shared by the Village and Blumfield Township as designated by the agreement. This agreement shall continue in effect for three years and will automatically renew for successive one year periods. The Village's costs related to this fire agreement are accounted for in the Fire Special Fund, a Special Revenue Fund.

March 31, 2005

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net assets resulting from current year activities.

March 31, 2005

#### Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the maintenance and construction of the Village's major street system.

The **Local Street Fund** is used to account for the maintenance and construction of the Village's local street system.

March 31, 2005

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

Additionally, the Village reports the following fiduciary fund types:

The **Pension Trust Fund** accounts for the activities of the Village's retirement plan which accumulates resources for pension benefit payments on a defined contribution basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

#### Assets, Liabilities and Equity:

<u>Deposits and Investments</u> – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

<u>Interfund Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Inventories and Prepaid Items</u> – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15-50 years
Furniture and equipment	5-10 years
Infrastructure	50 years
Land improvements	20 years
Machinery and equipment	5-25 years
Vehicles	8-15 years

March 31, 2005

<u>Compensated Absences</u> – Employees are not allowed to accumulate vacation and sick days; therefore, no liability is recorded in the government-wide financial statements and the proprietary fund financial statements.

<u>Long-term Obligations</u> – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

#### **Property Taxes:**

Properties are assessed as of December 31. The related property taxes become a lien on July 1 of the following year. These taxes are billed on September 15 with the final collection date of March 1 before they are added to the county tax rolls.

The 2004 taxable valuation of the Village totaled \$23,050,852, on which ad valorem taxes levied consisted of 10.5000 mills for the Village's operating purposes, 1.0000 mills for sidewalks, and .9655 for fire apparatus. The sidewalks and fire apparatus are both special voted millages.

The delinquent real property taxes of the Village are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

March 31, 2005

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Budgetary Information:**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
- 4. Any revision that alters the total expenditures of any fund must be approved by the Village.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Village did not incur expenditures that were materially in excess of the amounts budgeted.

#### **NOTE 3: DEPOSITS AND INVESTMENTS**

The Village's deposits at March 31, 2005 are included in the statement of net assets under the following categories:

	vernmental <u>Activities</u>	siness-type <u>Activities</u>	tal Primary overnment
Cash and cash equivalents	\$ 738,729	\$ 161,225	\$ 899,954

#### **Deposits:**

The breakdown between deposits for the Village is as follows:

	Primary <u>Government</u>			
Bank deposits (checking accounts, savings accounts,				
and certificates of deposit)	\$	899,904		
Petty cash and cash on hand		50		
Total	\$	899,954		

March 31, 2005

The deposits of the primary government were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$912,571, of which \$185,182 is covered by federal depository insurance and the remainder was uninsured and uncollaterized. The Village believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

#### **Investments:**

State statutes authorize the Village to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Village.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Village or its agent in the Village's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name; and

*Category 3* – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Village's name.

At year end, the Village had no investments.

March 31, 2005

# **NOTE 4: CAPITAL ASSETS**

Primary Government capital asset activity for the year ended March 31, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	
Governmental activities:					
Nondepreciable capital assets					
Land	\$ 239,724	\$ -	\$ -	\$ 239,724	
Depreciable capital assets					
Buildings and improvements	908,603	-	-	908,603	
Construction in progress - infrastructure	-	42,403	-	42,403	
Furniture and equipment	46,745	2,152	-	48,897	
Land improvements	23,731	15,186	-	38,917	
Machinery and equipment	399,802	5,743	-	405,545	
Vehicles	387,141	35,040		422,181	
Subtotal	1,766,022	100,524		1,866,546	
Accumulated depreciation	(686,305)	(74,575)		(760,880)	
Depreciable capital assets, net	1,079,717	25,949		1,105,666	
Governmental activities, capital assets, net	\$ 1,319,441	\$ 25,949	\$ -	\$ 1,345,390	
	Beginning Balance	Additions	Retirements	Ending Balance	
<b>Business-type activities:</b>					
Nondepreciable capital assets:					
Land	\$ 51,650	\$ -	\$ -	\$ 51,650	
Depreciable capital assets:					
Collection system	846,494	44,185	-	890,679	
Land improvements	9,103	-	-	9,103	
Machinery and equipment	138,007	-	-	138,007	
Treatment facilities	440,416			440,416	
Subtotal	1,434,020	44,185		1,478,205	
Accumulated depreciation	(861,489)	(28,372)		(889,861)	
Depreciable capital assets, net	572,531	15,813		588,344	
Business-type activities, capital assets, net	\$ 624,181	\$ 15,813	\$ -	\$ 639,994	

March 31, 2005

Depreciation expense was charged to functions as follows:

Governme	ntal	activities:
GUVCIIIII	-muai	acuvines.

General government	\$ 9,751
Public safety	42,290
Public works	19,449
Recreation and culture	 3,085
Total governmental activities	\$ 74,575
<b>Business-type activities:</b>	
Sewer	\$ 28,372
Total business-type activities	\$ 28,372

#### **NOTE 5: DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, the Village had no deferred revenues.

March 31, 2005

#### **NOTE 6: LONG-TERM LIABILITIES**

The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Installment purchase agreements are also general obligations of the government.

Long-term liabilities at March 31, 2005 consisted of the following:

				Original	
Types of Indebtedness	Maturity	Interest Rates	Principal Installments	Issue Amount	Outstanding at Year-End
Types of Indebteuress					
<b>Governmental activities:</b>					
General Obligation Bonds:					
1996 Issue - Building Authority Bonds					
Serial Current Interest Bonds	6/1/96-6/1/16	5.60%	\$10,000-15,000	\$175,000	\$135,000
Capital Lease Agreement:					
2004 Crown Victoria	7/9/04-7/9/06	5.50%	4,996-5,270	20,265	10,265
Installment Purchase Agreement:					
2000 DPW Dump Truck-Snow Plow	12/1/00-12/1/04	5.35%	3,366	30,600	-
Note Payable:					
Fire Truck	12/15/02-12/15/07	4.10%	16,896-18,266	99,596	51,681

The following is a summary of long-term liabilities transactions for the year ended March 31, 2005:

	Beginning Balance		0 0		Additions Retirements		Ending Balance		 e Within ne Year
Governmental activities:									
1996 Issue - Building Authority Bonds	\$	140,000	\$	-	\$	(5,000)	\$	135,000	\$ 10,000
Capital Lease Agreement		-		20,265		(10,000)		10,265	4,996
Installment Purchase Agreement		3,366		-		(3,366)		-	-
Note Payable		67,956				(16,275)		51,681	 16,896
Total governmental activities		_	<u> </u>						_
- long-term liabilities	\$	211,322	\$	20,265	\$	(34,641)	\$	196,946	\$ 31,892

March 31, 2005

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

Year Ended	Governmental Activities						
March 31,	1	Principal		Interest		Total	
2006	\$	31,892	\$	9,818	\$	41,710	
2007		32,859		8,306		41,165	
2008		27,195		7,863		35,058	
2009		10,000		5,452		15,452	
2010		10,000		4,908		14,908	
2011-2015		55,000		16,223		71,223	
2016-2017		30,000		1,636		31,636	
	\$	196,946	\$	54,206	\$	251,152	

# NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	Governmental Activities		Business-type Activities		
Receivables:					
Taxes	\$	4,419	\$	-	
Special assessments		928		-	
Accounts		14,954		12,510	
Intergovernmental		70,745			
Total receivables	\$	91,046	\$	12,510	
Accounts payable and accrued expenses:					
Accounts	\$	2,948	\$	-	
Payroll and related liabilities		2,230		-	
Interest		3,274		-	
Deposits		75		-	
Intergovernmental		310			
Total accounts payable and accrued expenses	\$	8,837	\$		

March 31, 2005

#### NOTE 8: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at March 31, 2005 is as follows:

Receivable Fund	Payable Fund		mount
Fund Financial Statements:			
General Fund	Major Street Fund	\$	9,011
General Fund	Local Street Fund		1,227
General Fund	Parks and Recreation Fund		15
General Fund	Sidewalk Construction Fund		113
General Fund	Sewer Fund		1,665
Major Street Fund	Local Street Fund		2,531
Major Street Fund	Sewer Fund		105
Local Street Fund	Major Street Fund		4,000
Sewer Fund	Sidewalk Construction Fund		53
		\$	18,720

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

Funds Transferred From	Funds Transferred To		Amount	
Fire Department Fund	General Fund	\$	21	
General Fund	Parks and Recreation Fund		8,000	
General Fund	Fire Department Fund		19,245	
Major Street Fund	Local Street Fund		32,000	
Major Street Fund	Parks and Recreation Fund		2,611	
Local Street Fund	Parks and Recreation Fund		381	
Fire Department Fund	Fire Special Fund		12,000	
		<u>\$</u>	74,258	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

March 31, 2005

#### **NOTE 9: RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village is a member of the Michigan Municipal League sponsored self insurance/public entity risk pool. The Village pays annual premiums to the respective pools for general liability, auto, and workers' compensation insurance coverage. The agreements for the formation of the Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund provide that pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limitations imposed by the pool. The Michigan Municipal General and Auto Liability Fund provide coverage of claims up to \$2 million per occurrence with reinsurance provided to cover amounts in excess of this limit. The Michigan Municipal Workers Compensation Fund provides coverage of claims up to \$500,000 per occurrence with reinsurance provided to cover amounts in excess of this limit.

The Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund have published their own financial reports which can be obtained by contacting the management of each pool.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

#### NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

#### **Defined Contribution Pension Plan:**

The Village provides pension benefits for all of its employees through a defined contribution plan administered by Lincoln Financial Advisors. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after ½ year of service from the date of employment. Annual contributions to the plan are 10% of the annual earnings, excluding overtime and other extraordinary compensation, of the eligible participating employees. The Village's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years of continuous service. Voluntary employee contributions are not permitted under the terms of the plan.

The required and actual contribution for the year was \$16,143.

The plan holds no security of the employer or any related party.

#### **Post Employment Benefits:**

The Village provides no post employment benefits to retirees.

March 31, 2005

#### **Deferred Compensation Plan:**

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees who are full-time and permanent part-time over the age of 21, permits them to defer a portion of their current salary until future years.

#### NOTE 11: PRIOR PERIOD ADJUSTMENTS

#### **Accounting Change:**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (Statement). The Village is required to implement the new requirements for the year ended March 31, 2005. The more significant of the changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- Government-wide financial statements prepared using full accrual accounting for all of the Village's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental and enterprise funds.

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

#### **Fund Financial Statements:**

The beginning net assets of the enterprise funds were derived by aggregating the previously reported retained earnings and contributed capital of those funds.

#### **Government-wide Financial Statements:**

Beginning net assets for governmental activities was determined as follows:

Fund balances of general and special revenue funds as of 3/31/04, as restated	\$ 741,475
Add: Governmental capital assets, including general fixed assets	2,005,746
Deduct: Accumulated depreciation as of 3/31/04 on above governmental capital assets	(686,305)
Deduct: Debt as of 3/31/04	(211,322)
Deduct: Accrued interest payable on debt as of 3/31/04	(3,430)
Governmental net assets, restated, as of 3/31/04	\$ 1,846,164

March 31, 2005

#### **Change in Recognition of Sales Tax Revenue:**

Recognition of state shared revenue payments of sales tax should agree with the State of Michigan's distribution periods. In prior years, the payment distributed in April for January/February collection period was recorded as revenue in the next year, or the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year. The effect of this adjustment on General Fund fund balance is as follows:

Fund balance, as previously stated, as of 3/31/04	\$	426,163
Add: State shared revenue for sales tax that should have accrued to prior year		16,394
Fund balance, restated, as of 3/31/04	\$	442,557

#### Change in Recognition of Bridge/Road Tax Revenue:

Revenue received from Tuscola County for the bridge/road tax is not received by the Village until the year after the year the tax was levied. The revenue should be recognized in the year the tax was levied rather than the year the tax was received. The effect of this adjustment on Major Street Fund and Local Street Fund fund balance is as follows:

	Major Street <u>Fund</u>			
Fund balance, as previously stated, as of 3/31/04	\$	158,058	\$	71,690
Add: Bridge/Road tax levied in 2003		19,957		9,931
Fund balance, restated, as of 3/31/04	\$	178,015	\$	81,621



#### GENERAL FUND

# **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2005

	Budgeted Amounts					Actual Over (Under)		
			Final	- Actual		Final Budget		
Revenues:						,		
Property taxes	\$	235,280	\$	235,280	\$	247,080	\$	11,800
State grants		146,780		145,312		145,184		(128)
Charges for services		102,944		104,178		128,770		24,592
Fines and forfeits		500		500		847		347
Interest and rents		38,806		38,806		52,089		13,283
Other revenue		18,000		18,000	_	29,650		11,650
Total revenues		542,310		542,076	_	603,620		61,544
Expenditures:								
Current:								
General government		139,373		139,485		136,321		(3,164)
Public safety		129,050		129,050		119,224		(9,826)
Public works		193,428		213,550		206,838		(6,712)
Community and economic development		4,161		3,439		2,041		(1,398)
Recreation and culture		10,202		10,327		11,914		1,587
Other		3,000		3,000		3,567		567
Capital outlay		6,100		35,695		34,718		(977)
Debt service								
Principal		18,371		19,371		18,366		(1,005)
Interest and charges				9,000	_	7,979		(1,021)
Total expenditures		503,685		562,917		540,968		(21,949)
Excess (deficiency) of								
revenues over expenditures		38,625	_	(20,841)	_	62,652		83,493
Other financing sources (uses):								
Transfers in		-		-		21		21
Transfers out		(37,700)		(37,700)	_	(27,245)		(10,455)
Total other financing sources (uses)		(37,700)		(37,700)		(27,224)		(10,434)
Net change in fund balance		925		(58,541)		35,428		93,927
Fund balance, beginning of year, as restated		442,557		442,557	_	442,557		
Fund balance, end of year	\$	443,482	\$	384,016	\$	477,985	\$	93,927

#### SPECIAL REVENUE FUND – MAJOR STREET FUND

# **BUDGETARY COMPARISON SCHEDULE**

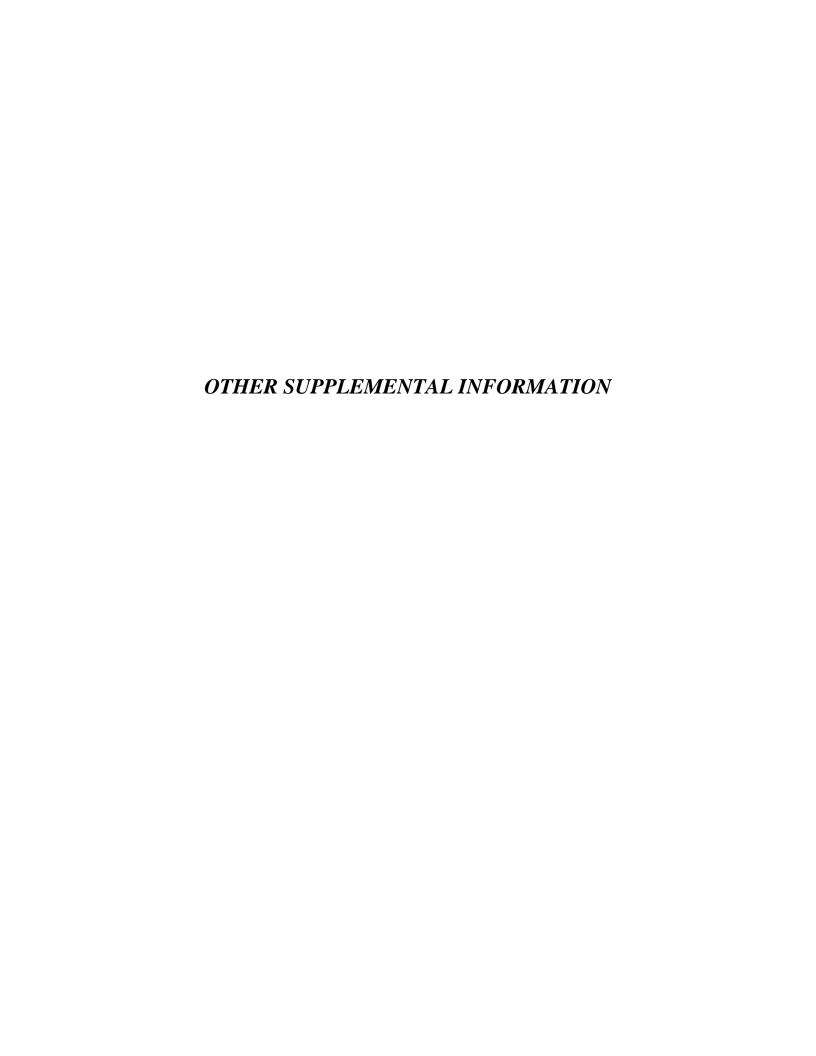
Year Ended March 31, 2005

						$\boldsymbol{A}$	ctual	
	Budgeted Amounts Original Final				Over (Under)			
			Final	Actual		Final Budget		
Revenues:								
State grants	\$	79,300	\$	79,300	\$	87,568	\$	8,268
Contributions from other units		19,852		19,852		21,845		1,993
Interest and rents		1,000		1,000		1,854		854
Other revenue		200		200		79		
Total revenues		100,352		100,352		111,346		11,115
Expenditures:								
Current:								
Public works		52,712		37,843		37,843		-
Capital outlay				26,348		26,348		
Total expenditures		52,712		64,191		64,191		
Excess (deficiency) of								
revenues over expenditures		47,640		36,161		47,155		11,115
ı				<u> </u>		· · · · · · · · · · · · · · · · · · ·		
Other financing uses:								
Transfers out		25,639		25,639		34,611		8,972
Total other financing uses		25,639		25,639		34,611		8,972
Net change in fund balance		22,001		10,522		12,544		2,143
Fund balance, beginning of year, as restated		178,015		178,015		178,015		
Fund balance, end of year	\$	200,016	\$	188,537	\$	190,559	\$	2,143

### SPECIAL REVENUE FUND – LOCAL STREET FUND

## **BUDGETARY COMPARISON SCHEDULE**

	Budgeted	l Amounts		Actual Over (Under)	
	Original			Final Budget	
Revenues:					
State grants	\$ 25,000	\$ 25,000	\$ 29,946	\$ 4,946	
Contributions from other units	9,900	9,900	10,869	969	
Interest and rents	1,000	1,000	804	(196)	
Total revenues	35,900	35,900	41,619	5,719	
Expenditures					
Current:					
Public works	38,496	31,089	31,089	-	
Capital outlay	<del></del>	15,471	15,471		
Total expenditures	38,496	46,560	46,560		
Excess (deficiency) of					
revenues over expenditures	(2,596)	(10,660)	(4,941)	5,719	
Other financing sources (uses):					
Transfers in	-	-	32,000	32,000	
Transfers out	(1,500)	(1,500)	(381)	(1,119)	
Total other financing sources (uses)	(1,500)	(1,500)	31,619	33,119	
Net change in fund balance	(4,096)	(12,160)	26,678	38,838	
Fund balance, beginning of year, as restated	81,621	81,621	81,621		
Fund balance, end of year	\$ 77,525	\$ 69,461	\$ 108,299	\$ 38,838	



# DETAILED SCHEDULE OF REVENUES

Revenues:	
Current taxes:	
Property taxes	\$ 242,034
Trailer tax	743
Penalties and interest on taxes	1,288
Administration fees	3,015
	247,080
State grants:	
Liquor license fees	1,059
State revenue sharing - sales tax	143,625
Police grant	500
	145,184
Charges for services:	
Refuse collection fees	107,050
Police services and reports	2,059
Charges to other funds	19,661
	128,770
Fines and forfeitures:	
Ordinance fines	847
Ordinance fines	
	847
Interest and rents:	
Interest	4,459
Equipment rental	44,644
Rents	2,986
	52,089
O.J.	
Other revenue:	2 (02
Sale of fixed assets	2,602
Reimbursements Refunds and rebates	12,843
Other	9,178
Other	5,027
	29,650
Total revenues	603,620
Total revenues	
Other Financing Sources:	
Transfers from other funds	21
Transfers from other funds	
	21
T-4-1	Ф 602 641
Total revenues and other financing sources	\$ 603,641

## **DETAILED SCHEDULE OF EXPENDITURES**

Expenditures: General Government: Council:	
Personnel	\$ 4,170
Fringe benefits	487
Dues and memberships	1,063
Insurance	278
Other	2,016
	8,014
Manager:	
Personnel	47,539
Fringe benefits	18,455
Supplies	53
Telephone	460
Dues and memberships	320
Insurance	292
Other	595
	67,714
Clerk:	
Personnel	28,758
Fringe benefits	4,881
Supplies	1,403
Contracted services	471
Telephone	1,524
Dues and memberships	1,200
Printing and publications	967
Insurance	13
Repairs and maintenance	1,596
Other	1,436
	42,249
Audit:	
Contracted services	2,376
	2,376
Treasurer:	
Personnel	2,700
Fringe benefits	207
Supplies	473
Contracted services	611
Other	346
	4,337

# **DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)**

Expenditures, continued:	
General Government, continued:	
Buildings and Grounds:	
Personnel	\$ 828
Fringe benefits	63
Supplies	267
Contracted services	766
Insurance	545
Utilities	3,903
Repairs and maintenance	2,965
Equipment rental	669
	10,006
Attorney:	
Contracted services	1,625
	1,625
Total general government	136,321
Total general government	
Public Safety:	
Police:	
Personnel	78,111
Fringe benefits	29,523
Supplies	5,549
Contracted services	1,158
Telephone	982
Education and training	850
Insurance	2,089
Repairs and maintenance	229
Other	733
	119,224
Total public safety	119,224

# **DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)**

Expenditures, continued: Public Works:	
Department of Public Works:	
Personnel	\$ 21,076
Fringe benefits	29,243
Supplies	5,966
Contracted services	173
Telephone	1,014
Insurance	2,505
Utilities	2,535
Repairs and maintenance	3,075
Other	602
	66,189
Street Lighting:	
Utilities	32,192
	32,192
Garbage and Yard Waste:	
Personnel	4,044
Fringe benefits	577
Supplies	5
Contracted services	95,677
Equipment rental	8,050
Other	104
	108,457
Total public works	206,838
Community and Economic Development:	
Planning:	
Personnel	750
Fringe benefits	57
Supplies	234
	1,041
Economic and Industrial Development:	
Contracted services	1,000
	1,000
Total community and commis development	2.041
Total community and economic development	2,041

## **DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)**

Expenditures, continued:	
Recreation and Culture:	
Parks and Recreation:	
Personnel	\$ 402
Fringe benefits	30
Supplies	68
Contracted services	450
Insurance	39
Utilities	259
Equipment rental	1,166
	2,414
Library:	
Contracted services	9,000
	9,000
Other Recreation and Culture:	
Other	500
	500
Total recreation and culture	11,914
Total recreation and culture	11,914
04	
Other: Insurance	3,567
insurance	3,567
Total other	3,567
	<del></del>
Debt Service:	
Principal	18,366
Interest and fees	7,979
	26,345
Capital Outlay:	
General government	105
Public safety	5,412
Public works	29,201
	34,718
Total expenditures	540,968
Other Financing Uses:	
Transfers to other funds	27,245
	27,245
Total expenditures and other financing uses	\$ 568,213

### NONMAJOR GOVERNMENTAL FUNDS

## **COMBINING BALANCE SHEET**

March 31, 2005

	Special Revenue Funds											
		Fire Special Fund	Fire Department Fund		Parks and Recreation Fund		Park 125 Anniversary Fund		Sidewalk Construction Fund		Total Nonmajor Governmental Funds	
Assets:												
Cash and cash equivalents Taxes receivable	\$	13,969 359	\$	16,748	\$	5,713	\$ 	210	\$	12,669 371	\$	49,309 730
Total assets	\$	14,328	\$	16,748	\$	5,713	\$	210	\$	13,040	\$	50,039
Liabilities and Fund Balances: Liabilities: Accounts payable and accrued expenses Due to other funds Deposits payable Total liabilities	\$	- - - -	\$	908 - - - 908	\$	15 75 90	\$	- - - -	\$	- 165 - 165	\$	908 180 75 1,163
Fund balances: Unreserved:												
Special revenue funds		14,328		15,840		5,623		210		12,875		48,876
Total fund balances		14,328		15,840		5,623		210		12,875		48,876
Total liabilities and												
fund balances	\$	14,328	\$	16,748	\$	5,713	\$	210	\$	13,040	\$	50,039

### NONMAJOR GOVERNMENTAL FUNDS

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Special Revenue Funds											
		Fire Special Fund		Fire Department Fund		Parks and Recreation Fund		ark 125 niversary Fund	Sidewalk Construction Fund		Total Nonmajor Governmental Funds	
Revenues:	Φ.	22.252					Φ.			22 0 40	Φ.	45.000
Property taxes Contributions from other	\$	22,253	\$	-	\$	-	\$	-	\$	23,049	\$	45,302
units		_		21,000		13,600		_		_		34,600
Charges for services		_		13,800		-		-		-		13,800
Interest and rents		117		203		21		20		129		490
Other revenue		1,692		37		351		210		1		2,291
Total revenues		24,062		35,040		13,972		230		23,179		96,483
Expenditures: Current:												
Public safety		11,707		33,399		_		_				45,106
Public works		-		-		-		_		20,998		20,998
Recreation and culture		_		_		25,955		1,660		-		27,615
Capital outlay		205		4,120		-		-		-		4,325
Debt service												
Principal		16,275		-		-		-		-		16,275
Interest and charges	-	2,786										2,786
Total expenditures		30,973		37,519		25,955		1,660		20,998		117,105
Excess (deficiency) of revenues over expenditures		(6,911)		(2,479)		(11,983)		(1,430)		2,181		(20,622)
Other financing sources												
(uses):												
Transfers in		12,000		19,245		10,992		-		-		42,237
Transfers out		-		(12,021)				-		-		(12,021)
Total other financing												
sources (uses)		12,000		7,224		10,992					_	30,216
Net change in fund balance		5,089		4,745		(991)		(1,430)		2,181		9,594
Fund balance,												
beginning of year		9,239		11,095		6,614		1,640		10,694		39,282
Fund balance, end of year	\$	14,328	\$	15,840	\$	5,623	\$	210	\$	12,875	\$	48,876

### **GOVERNMENTAL ACTIVITIES**

### SCHEDULE OF INDEBTEDNESS

March 31, 2005

### **Building Authority Bond Series 1996, General Obligation Bond**

Issued Dated April 1, 1996 in the amount of \$ 175,000

Less: Principal paid in prior years (35,000)
Principal paid in current year (5,000)

Balance payable at March 31, 2005 \$ 135,000

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	Principal due <u>June 1</u>		erest due <u>June 1</u>	 erest due cember 1	<u>Total</u>		
2006	5.60%	\$ 10,000	\$	3,681	\$ 3,408	\$	17,089	
2007	5.60%	10,000		3,408	3,135		16,543	
2008	5.60%	10,000		3,135	2,863		15,998	
2009	5.60%	10,000		2,862	2,591		15,453	
2010	5.60%	10,000		2,590	2,318		14,908	
2011	5.60%	10,000		2,318	2,045		14,363	
2012	5.60%	10,000		2,045	1,772		13,817	
2013	5.60%	10,000		1,772	1,500		13,272	
2014	5.60%	10,000		1,500	1,226		12,726	
2015	5.60%	15,000		1,227	818		17,045	
2016	5.60%	15,000		818	409		16,227	
2017	5.60%	 15,000		409	 		15,409	
		\$ 135,000	\$	25,765	\$ 22,085	\$	182,850	

Note: This general obligation bond is paid from the General Fund.

### Installment Purchase Agreement - DPW Dump Truck-Snow Plow

Issue Dated	\$ 30,600	
Less:	Principal paid in prior years Principal paid in current year	 (27,234) (3,366)
Balance pay	\$ 	

Note: This installment purchase agreement is paid from the General Fund.

### **GOVERNMENTAL ACTIVITIES**

## SCHEDULE OF INDEBTEDNESS

March 31, 2005

### **Note Payable - Fire Truck**

Issue Dated	\$ 99,596	
Less:	Principal paid in prior years Principal paid in current year	 (31,640) (16,275)
Balance pay	\$ 51,681	

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	eipal due Dember 15	2,,,,	erest due ember 15	<u>Total</u>
2006	4.10%	\$ 16,896	\$	2,165	\$ 19,061
2007	4.10%	17,589		1,472	19,061
2008	4.10%	 17,196		1,865	 19,061
		\$ 51,681	\$	5,502	\$ 57,183

Note: This note payable is paid from the Fire Special Fund.

### Capital Lease Agreement - 2004 Ford Crown Victoria

Issued Dated July, 9 2004 in the amount of			20,265
Less:	Principal paid in prior years		-
	Principal paid in current year		(10,000)
Balance payable at March 31, 2005		\$	10,265

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	icipal due <u>July 9</u>	 rest due uly 9	<u>Total</u>
2006 2007	5.50% 5.50%	\$ 4,995 5,270	\$ 565 290	\$ 5,560 5,560
		\$ 10,265	\$ 855	\$ 11,120

Note: This capital lease agreement is paid from the General Fund.



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

### MANAGEMENT LETTER

To the Members of the Village Council Village of Reese Reese, Michigan

We have completed our examination of the financial statements of the Village of Reese for the year ended March 31, 2005, and have issued our report thereon dated May 24, 2005. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of Reese taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

### **Status of Prior Year Comments:**

#### Cash/Account Receivable Reconciliations:

In previous years' audits, we had recommended that cash and various receivable accounts needed to be reconciled promptly and accurately at the end of each month.

In the current audit, we noted these accounts are now being properly reconciled as recommended.

## MANAGEMENT LETTER – Page 2

This report is intended solely for the use of the Village's management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Berthiaume & Company Certified Public Accountants

Besthraume & Co.

May 24, 2005

